DOCUMENT RESUME

ED 386 115 HE 028 523

TITLE	The Student Guide. Financial Aid from the U.S. Department of Education, 1995-96.
INSTITUTION	Office of Student Financial Assistance (ED), Washington, DC.
PUB DATE	95
NOTE	80p.; For earlier guide, see ED 369 365.
AVAILABLE FROM	Federal Student Aid Information Center, P.O. Box 84, Washington, DC 20044-0084 (free).
PUB TYPE	Guides - Non-Classroom Use (055)
EDRS PRICE	MF01/PC04 Plus Postage.
DESCRIPTORS	Eligibility; Federal Aid; *Federal Programs; *Grants; Higher Education; *Income Contingent Loans; Information Sources; Loan Repayment; *Paying for College; Program Descriptions; *Student Financial Aid; *Student Loan Programs; Student Responsibility; Student Rights; Work Study Programs
IDENTIFIERS	Department of Education; Family Education Loan Program; Pell Grant Program; Supplemental Educational Opportunity Grants

ABSTRACT

This guide discusses federal student aid programs for postsecondary education and how to apply for them. It begins by outlining sources for finding out about student aid, such as schools, state higher education agencies, guidance counselors, and organizations connected with particular fields of interest. It then offers tips on how to choose a school carefully. The guide then presents general information about federal student aid, including eligibility in terms of need and dependency status, the application process, special circumstances, deadlines, and important telephone numbers. It then provides more detailed descriptions of the Federal Pell Grant Program, the Federal Direct Student Loan Program, the Federal Family Education Loan Program, and campus-based programs, such as Federal Supplemental Educational Opportunity Grants, the Federal Work-Study Program, and Federal Perkins Loans. The guide concludes with a discussion of borrower rights and responsibilities, loan deferment procedures, loan cancellation procedures, and a glossary of important terms. (MDM)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 386 115

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy

Financial Aid from the U.S. Department of Education

Federal Direct Student Loans • Federal Supplemental Educational Opportunity Grants • Federal Pell Grants • Federal Work-Study • Federal Perkins Loans • Federal Stafford Loans

The STUDENT GUIDE

BEST COPY AVAILABLE

1995-96

2

HE 028 523

The Student Guide is FREE.

If you paid for a copy of this publication, please write to the following address and give us the name and address of the organization that charged you.

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044-0084

Contents

Finding Out About Student Aid 1

Choosing a School Carefully 5

Federal Student Aid—General Information 10

Student Eligibility 11

Financial Need 12

Dependency Status 14

Applying 15

Special Circumstances 20

Deadlines 21

Telephone Numbers 22

Federal Pell Grants 23

Direct and FFEL Program Loans 25

Direct and FFEL Program Loans for Students 27

Direct and FFEL Program Loans for Parents 39

Continued on next page

Direct and FFEL Consolidation Loans 46

Campus-Based Programs 51

Federal Supplemental Educational Opportunity Grants 52

Federal Work-Study 53

Federal Perkins Loans 54

Borrower Responsibilities, Borrower Rights 58

Loan Deferment Summary 63

Discharge/Cancellation Summary 64

Important Terms 66

Finding Out About Student Aid

The Student Guide tells you about federal student financial aid (SFA) programs and how to apply for them.* Education or training after high school costs more than ever, and you need to learn about as many sources of aid as you can. The best way to start is by checking the ***free*** information sources that follow.

If you're thinking about paying a scholarship search organization for information about student aid sources, you should know that over 80 percent of all aid awarded comes from federal and state programs. Another 19 percent comes from institutional and other sources of aid. You can find out about all of these sources yourself, as explained in the next few pages. If a scholarship search organization guarantees its services, find out what you have to do to get a refund if the guarantee isn't met.

Sources you can use to find out about student aid:

- ☐ Contact the **financial aid administrator** (FAA) at each school in which you're interested. He or she can tell you what aid programs are available there and how much the total cost of attendance will be. If you're in high school, also talk to your guidance counselor. He or she can tell you about financial aid in general and where to look for help.

---

* *The Guide uses several terms or concepts you'll need to know. Take a few minutes to review the "Important Terms" section beginning on page 66.*

- ☐ Ask the state higher education agency in your home state for information about state aid—including aid from the **State Student Incentive Grant (SSIG) Program**, which is jointly funded by individual states and the U.S. Department of Education. Each state has its own name for this program, as well as its own eligibility criteria, award amounts, and application procedures.

- ☐ The agency in your state responsible for public elementary and secondary schools can give you information on the **Robert C. Byrd Honors Scholarship Program (Byrd Program)** and the **National Science Scholars Program (NSSP)**.

  Under the Byrd Program, if you demonstrate outstanding academic achievement and show promise of continued excellence, you may receive $1,500 a year for up to four years of postsecondary education. The amount of the Byrd Program scholarship plus any other aid you receive can't exceed your cost of attendance. At least 10 scholarships will be made available per state.

  Under the NSSP, if you're a graduating high school senior (or you'll obtain the equivalent of a certificate of graduation) and you've demonstrated excellence and achievement in the physical, life, or computer sciences, mathematics, or engineering, you may be eligible to receive funds to continue your studies at the postsecondary level. The law authorizes scholarships of up to $5,000 a year (or the student's cost of attendance, whichever is less) for up to 5 years of study. The amount a student receives depends on the availability of funds. These awards are made to two students from each congressional district.

Contact either the higher education agency in your state or the agency responsible for public elementary and secondary school education in your state for information about the **Paul Douglas Teacher Scholarship Program**. These scholarships are for outstanding high school graduates who want to pursue teaching careers after they finish college. A Douglas Scholarship can provide up to $5,000 a year, not to exceed $20,000. You may be eligible if you graduate from high school in the top 10 percent of your class and if you meet other selection criteria your state agency may establish. Generally, you're required to teach two years for each year of scholarship assistance you receive. Not all states participate in this program.

For the address and telephone number of the appropriate state agency, contact your school's financial aid office or call:

1-800-4-FED-AID (1-800-433-3243).

- ☐ A new program of **National and Community Service** provides full-time educational awards of $4,725 a year. You can work before, during, or after your postsecondary education, and you can use the funds either to pay current educational expenses or to repay federal student loans. You must be a high school graduate or have a GED to participate. For more information on this program, call **1-800-942-2677** or write to: The Corporation for National and Community Service, 1100 Vermont Avenue, N.W., Washington, DC 20525.

- ☐ Your public library is an excellent source of information on state and private sources of aid. Your financial need is usually considered, but other factors may also be taken into account.

- ☐ Many companies, as well as labor unions, have programs to help pay the cost of postsecondary education for employees, members, or their children.
- ☐ Check foundations, religious organizations, fraternities or sororities, and town or city clubs. Include community organizations and civic groups such as the American Legion, YMCA, 4-H Club, Elks, Kiwanis, Jaycees, Chamber of Commerce, and the Girl or Boy Scouts.
- ☐ National Honor Society and National Merit scholarships are available if you have high grades and you otherwise qualify.
- ☐ Don't overlook aid from organizations connected with your field of interest (for example, the American Medical Association or the American Bar Association). These organizations are listed in the U.S. Department of Labor's Occupational Outlook Handbook and can also be found in various directories of associations available at your public library.
- ☐ If you (or your spouse) are a veteran or the dependent of a veteran, veterans educational benefits may be available. Check with your local Veterans' Affairs office.

Choosing a School Carefully

Education after high school costs you time, money, and effort. It's a big investment, and you should carefully evaluate the school you're considering. You ought to know what you'll be getting for your money. When you enroll in school, you expect to study certain subjects, or maybe learn certain skills, that will help you get a specific job. Will you? A lot depends on how well you choose the school you'll attend. To find out about a school, you need to—

- ☐ **check the school's accreditation.** Ask the school representative for the names of the school's accrediting and licensing organizations, which can give you information about the school. You also have the right to ask the school for a copy of the documents describing the school's accreditation and licensing. If a school is accredited, an approved private educational agency or association has evaluated it and found it meets certain minimum requirements that the agency has set. But don't assume that if a school is accredited that's all you need to know. You also need to—

- ☐ **find out for yourself about the school's programs.** Is the program the school offers necessary to get a job in your chosen profession? How much are you likely to earn after you complete the program? Ask potential employers if you

need education beyond high school to be considered for employment (maybe employers will provide on-the-job training instead). Does the school have a good reputation among the professionals in your chosen field of study? How long has it been in business? Does it seem to be economically stable and of high quality? How many students are in most classes? Do instructors have office hours when you can meet with them?

If you're attending a school that offers training using equipment, make sure the number of students in each class is not so large you never get to use the equipment. If a school advertises a certain kind of equipment, make sure it actually has that equipment. Is it modern, and is it what you expect to use in your field later on? Are facilities and services available and accessible to accommodate persons with disabilities? What are the qualifications of the faculty?

Find out how much coursework is required to complete the program. Ask how many students successfully complete the program. A high dropout rate could mean students weren't satisfied with the education they were receiving.

It's also a good idea to talk to recent graduates about the school's courses, its professors or instructors, even its social life and living facilities, if applicable. And, remember, just because a school participates in the federal student aid programs does **not** mean the U. S. Department of Education has endorsed the quality of the education the school offers. The Department ***does not approve*** a school's curriculum, policies, or administrative practices, ***except*** as they relate to how the school operates the federal student financial aid programs.
It's up to you to check out the school.

☐ **find out about the school's loan default rate.** This rate refers to the percentage of students who attended the school, took out federal student loans, and later went into **default.** If a school you want to attend has a default rate of 15 percent or more for the Federal Perkins Loan Program or 25 percent or more for the Federal Family Education Loan Program (FFEL), there may be some restrictions on borrowing under those programs to attend that school.

☐ **find out about the school's job placement rates.** You'll want a job in your chosen field after you leave school. Ask the school for its job placement rate. Check with former graduates and prospective employers as well. What's the placement rate of your chosen profession in general? If the school advertises its job placement rates, it must also publish the most recent employment statistics, graduation statistics, and any other information necessary to back up its claims. This information must be available at, or before, the time you apply for admission to the school.

Does the school provide instruction on topics you'll need to know for state or professional certification? If the school advertises job placement rates, it must tell you what the state licensing requirements are for a particular job. If a school says it will help you find a job, what does this include? Will the school contact potential employers and set up interviews? Will you receive counseling on how to obtain and keep a job?

☐ **find out about financial aid availability.** You have the right to receive the following information from the school—

➢ the financial assistance that is available, including information on all federal, state, local, private, and institutional financial aid programs. Ask specifically about the educational

program that interests you, because even if a school is eligible to participate in the federal student aid programs, some of its educational programs might not be eligible.

➢ how a school selects financial aid recipients.

➢ the procedures and deadlines for submitting applications for each available financial aid program.

➢ how the school determines your financial need. This process includes how costs for tuition and fees, room and board, travel, books and supplies, and personal and miscellaneous expenses are considered in your cost of attendance. It also includes the resources considered in calculating your need (such as parental contribution, other financial aid, and assets). You also have the right to know how much of your financial need has been met.

➢ how the school determines each type and amount of assistance in your financial aid package. You also have the right to ask the school to reconsider your aid package if you believe a mistake has been made or if your enrollment or financial circumstances have changed.

➢ how and when you'll receive your aid.

➢ how the school determines whether you're making satisfactory academic progress, and what happens if you're not. Whether you continue to receive federal financial aid depends, in part, on whether you make satisfactory academic progress.

➢ the interest rate on any student loan you may receive, the length of time you have to repay, when you must start repayment, and what cancellation, discharge, forbearance, or deferment (postponement) provisions apply.

➢ if you're offered a Federal Work-Study job (see page 5.3), what the job is, what hours you must work, what your duties will be, what the rate of pay will be, and how and when you'll be paid.

➢ the location, hours, and counseling procedures of the school's financial aid office.

☐ **ask the financial aid office about the school's refund policy.** You have the right to know what your school's policy is. If you enroll but never begin classes, you should get most of your money back. If you begin attending classes, but drop out before completing your coursework, you may be able to get part of your money back. But, after a certain date, you won't get any money back, and you may even be required to pay additional expenses. Ask the school about these issues and for examples of the school's refund policy. Keep in mind that if you receive federal student aid from any of the programs mentioned in the *Guide* – except for Federal Work-Study – and a refund is made, some or all of that money will be returned directly to those aid programs or to the lender for your loans.

NOTE: Even if you don't finish your coursework, you'll have to repay the loan funds you received, less any amount returned to your lender by the school.

The school must explain its refund policy, in writing, to all students—prospective as well as current.

☐ **check several sources for the answers to all your questions about a school.** Talk to high school counselors, local employers, and the state higher education agency. See if any complaints about the school have been filed with the local Better Business Bureau, Chamber of Commerce, or consumer protection division of the state attorney general's office. Contact these organizations if you have a complaint about a school.

You're paying for a quality education. Make sure you get it.

Federal Student Aid—General Information

The U.S. Department of Education has the following major student financial aid (SFA) programs:

- Federal Pell Grants
- Federal Direct Loans
- Federal Family Education Loans (FFEL)
- Federal Supplemental Educational Opportunity Grants (FSEOG)
- Federal Work-Study (FWS)
- Federal Perkins Loans

Not all schools take part in all the programs. To find out which ones are available at a particular school, contact the financial aid office.

Grants are monies you don't have to pay back.

Work-Study lets you work and earn money to help pay for school.

Loans are borrowed money that you must repay with interest.

Undergraduates may receive all three types of financial aid. **Graduate students** may receive loans or Federal Work-Study, but not Federal Pell Grants or FSEOG.

Student Eligibility

To receive aid from the major student aid programs discussed in the *Guide*, you must—

➢ have **financial need**, except for some loan programs. (See page 12).

➢ have a high school diploma or a **General Education Development (GED)** certificate, or you must pass an independently administered test approved by the U.S. Department of Education, or meet other standards your state establishes that are approved by the U.S. Department of Education.

➢ be enrolled as a **regular student** working toward a degree or certificate in an **eligible program.** (You may not receive aid for correspondence or telecommunications courses unless they are part of an associate-, bachelor-, or graduate-degree program.)

➢ be a **U.S. citizen** or **eligible noncitizen.**

➢ have a valid Social Security Number.

➢ make **satisfactory academic progress.**

➢ sign a **statement of educational purpose/certification statement on refunds and default** (found on the Student Aid Report).

➢ sign a **statement of updated information**, if required (found on the Student Aid Report).

➢ register with the **Selective Service**, if required.

Financial Need

Aid from most of the major programs discussed in the *Guide* is awarded on the basis of financial need (except for unsubsidized FFEL Stafford, Direct Unsubsidized, and all PLUS loans—see pages 25 through 45).

When you apply for federal student aid, the information you report is used in a formula, established by the U.S. Congress, that calculates your **Expected Family Contribution (EFC)**, an amount you and your family are expected to contribute toward your education. If your EFC is below a certain amount, you'll be eligible for a Federal Pell Grant, assuming you meet all other eligibility requirements. (See page 23.)

There isn't a maximum EFC that defines eligibility for the other financial aid programs. (See pages 25 through 57 for information on these programs.) Instead, your EFC is used in an equation to determine your financial need:

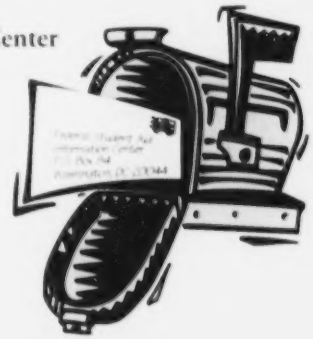
Cost of Attendance
-Expected Family Contribution (EFC)
=Financial Need

Your financial aid administrator (FAA) takes your **cost of attendance (COA)**, and subtracts the amount you and your family are expected to contribute toward that cost. If there's anything left over, you're considered to have financial need. In determining your need for aid from the SFA programs, your FAA must first consider other aid you're expected to receive.

Your FAA can adjust the EFC formula's data elements or adjust your COA if he or she believes your family's financial circumstances warrant it based on the documentation you provide. However, the FAA does not have to make such an adjustment. For more information on Special Circumstances, see page 20.

You can get a booklet called the "Expected Family Contribution (EFC) Formulas," which describes how the EFC formulas are calculated, by writing to:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044



Dependency Status

When you apply for federal student aid, your answers to certain questions will determine whether you're considered dependent on your parent(s) — and must, therefore, report their income and assets as well as your own — or whether you're independent and must, therefore, report only your own income and assets (and those of your spouse, if you're married).

Students are classified as dependent or independent because federal student aid programs are based on the idea that students (and their parents or spouse, if applicable) have the primary responsibility of paying for their postsecondary education. Students who have access to parental support (dependent students) should not receive need-based federal funds at the expense of independent students who do not have such access.

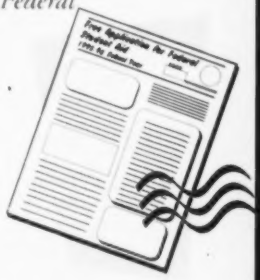
You're an independent student if at least one of the following applies to you:

- you were born before January 1, 1972,
- you're married,
- you're enrolled in a graduate or professional educational program,
- you have legal dependents other than a spouse,
- you're an orphan or ward of the court (or were a ward of the court until age 18), or
- you're a veteran of the U.S. Armed Forces.

If you claim to be an independent student, your school may ask you to submit proof before you can receive any federal student aid. If you think you have unusual circumstances that would make you independent even though none of the above criteria apply to you, talk to your aid administrator. He or she can change your status if he or she thinks your circumstances warrant it based on the documentation you provide. But remember, the aid administrator won't automatically do this. That decision is based on his or her judgment, and it's final—you can't appeal it to the U.S. Department of Education.

The Application Process

If you did ***not*** apply for federal student aid in the 1994-95 school year, you can apply for federal aid for the 1995-96 school year by either completing and mailing the *1995-96 Free Application for Federal Student Aid (FAFSA)* or by applying electronically (through your school). You can get a *FAFSA* from your school or from the Federal Student Aid Information Center at the address given on page 13. Not all schools have electronic application capability; check with the schools that interest you.



If you ***did*** apply for federal student aid for the 1994-95 school year, you probably will be able to file a *1995-96 Renewal Free Application for Federal Student Aid (Renewal FAFSA)*. You'll either receive it at your home address or from your school. (You may also be able to file a *Renewal FAFSA* electronically. Check with your school.)

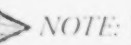
If you qualify to use the *Renewal FAFSA*, you'll have fewer questions to answer. About 75 percent of the information on the form will be preprinted and will be the same as the information you gave in 1994-95 (plus any of your corrections that were processed by October 31, 1994). You'll only have to write in some new information and information that has changed since 1994-95 (for example, family size). Check with your aid administrator if you have questions about the *Renewal FAFSA*.

For most of the federal student aid programs, the *FAFSA* (or *Renewal FAFSA*) is the only form you need to file. To receive an FFEL Stafford Loan or a Direct PLUS Loan, you may have to complete additional forms. (See pages 37 and 43.)

Remember, applying for federal student aid is **FREE**.

To be considered for nonfederal aid, such as institutional and/or state aid, you may have to fill out additional forms and pay a processing fee. Check with your school to see which nonfederal application to fill out, if any.

Read the instructions *carefully* when you apply for financial aid—whether you're filing the *FAFSA* or the *Renewal FAFSA*. Most mistakes are made because students don't follow instructions. Pay special attention to any questions on income, because most errors occur in this area.



NOTE: You'll need a valid Social Security Number when you apply, or your application won't be processed.

Also, in Section H of the *FAFSA* or *Renewal FAFSA*, carefully list the name(s) of the school(s) you're interested in attending. If any of these schools participate in at least one of the programs mentioned in the *Guide*, it will have a **Title IV Institution Code.** You can get a list of Title IV codes from a college's financial aid office, your high school, or your local public library. You should obtain the codes for the schools you're interested in attending and include them in Section H.

Records Needed

When you apply, you should have certain records on hand.

The 1994 U.S. income tax return is the most important record, because you must use exact numbers from specific lines on the tax return to apply. You'll need to refer to—

- ☐ your tax return,
- ☐ your parents' tax return (if you apply as a dependent student), and
- ☐ your spouse's tax return (if you're married and your spouse filed a separate return).

Referring to the tax form will make it easier to answer the questions when you apply. If you won't have your tax form in time to file your application, remember that you can estimate your answers and then correct them later.

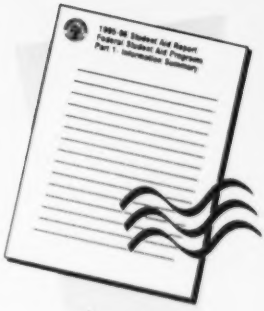
Other records, such as W-2 forms, business/farm records, and bank statements, will also be useful.

You should save all records and all other materials used in completing the application because you may need them later to prove that the information you reported is correct. This process is called verification.

If verification is required, and you don't provide it, you won't receive aid from the U.S. Department of Education, and you might not receive aid from other sources. It is very helpful if you make a photocopy of your application before you submit it. This way, you have a copy of the data you submitted for your own records. So be sure you keep all documents, and that the information you report is accurate!

Apply as soon **AFTER January 1, 1995** as possible. (You can't apply before this date.) It's easier to complete the application when you already have your tax return, so you may want to consider filing your taxes as early as possible, too. (See "Records Needed" on page 16.) Do not sign, date, or mail your application before January 1, 1995. Mail your completed application using the envelope that came with it. It is already addressed, and using it will ensure that your application reaches the correct address.

NOTE: You must reapply for federal aid every year. Also, if you change schools, your aid doesn't necessarily go with you. Check with your new school to find out what steps you must take to continue receiving aid.



If you apply by mail, your application will be processed in approximately four weeks. Then, you'll receive a Student Aid Report (SAR) in the mail. The SAR will report the information from your application and, if there are no questions or problems with your application, your Expected Family Contribution (the number used in determining your eligibility for federal student aid). Each school you listed on the application will also receive your application information.

If you apply electronically, your application will be processed in about a week. The results will be sent electronically to your school.

When you receive the SAR, or the electronic filing results at your school, you must review it carefully to make sure it's correct. If any changes are necessary, make them on Part 2 of the SAR and return it to the address given at the end of Part 2, or have your school submit the corrections electronically.

If the data is correct and you don't need to make changes, you can receive financial aid on the basis of that information. Make sure you keep a photocopy of your SAR (or get a printout of your electronic processing results from your school). The entire original SAR must be given to your school.

If it's been more than four weeks since you mailed in your application and you haven't heard anything, you can check on your application by calling **1-319-337-5665** (Monday - Friday, 9:00 a.m. to 8:00 p.m., Eastern Time).

Or, you can write to:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044

If you write, make sure you include in your letter your full name, permanent address, Social Security Number, date of birth, and signature.

You can request a duplicate copy of your SAR at any time by calling **1-319-337-5665** (Monday through Friday, 9:00 a.m. - 8:00 p.m., Eastern Time).

You can also request a copy of your SAR by writing to the address given at the end of Part 2 of the SAR or to the Federal Student Aid Information Center address given above.

When you write, make sure you include in your letter your full name, permanent address, Social Security Number, date of birth, and signature. You'll receive the duplicate SAR in 2-3 weeks.

Remember, your duplicate SAR will be sent to the address you reported on your application. If your address has changed since then, you can correct your address by writing to the FAFSA processor where you sent your application or to the Federal Student Aid Information Center at the address given above. You can't change your address over the phone because your signature is required.

Special Circumstances

Although the process of determining a student's eligibility for federal student aid is basically the same for all applicants, there is some flexibility. For instance, if your financial aid administrator (FAA) believes it's appropriate, based on the documentation you provided, he or she can change your status from dependent to independent. (See page 14.)

In some cases, your FAA may adjust your **cost of attendance (COA)** or the income information used to calculate your **Expected Family Contribution (EFC)** to take into account circumstances that might affect the amount you and your family are expected to contribute toward your education. These circumstances could include a family's unusual medical or dental expenses, or tuition expenses for children attending a private elementary or secondary school. Also, an adjustment may be made if you, your spouse, or either of your parents (if applicable) is recently unemployed. If conditions such as these apply to you or your family, contact your FAA.

Check with your FAA if you feel you have any other special circumstances that might affect the amount you and your family are expected to contribute. But remember, there have to be very good reasons for the FAA to make any adjustments, and you'll have to provide adequate proof to support those adjustments. Also, remember that the FAA's decision is *final* and cannot be appealed to the U.S. Department of Education.

Deadlines

Apply as soon **AFTER January 1, 1995** as you can. (Do not sign, date, or mail your application before this date.) Schools often set deadlines early in the calendar year. Students must meet these deadlines to receive certain types of funds, including Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study, and Federal Perkins Loan program funds. (See page 51.)

Whether you apply electronically or by mail, your application must be received by the application processor by **May 1, 1996** for the 1995-96 school year.

THERE ARE NO EXCEPTIONS TO THIS DEADLINE.

Also, you must submit your SAR to the school by your last day of enrollment in 1995-96 or by June 30, 1996, whichever is earlier. If your school has received your application information from the federal application processor, you may be able to certify that information at your school instead of submitting a SAR. In any case, your correct, complete application information must be at your school by the appropriate deadline. Be sure you know your last day of enrollment in 1995-96—it may be earlier than June 30.

NOTE: If you're selected for verification (see page 17), additional deadlines apply to you. Your financial aid administrator can tell you what they are.

Telephone Numbers

If you need answers right away to questions about federal student aid, call one of the numbers below at the Federal Student Aid Information Center between 9:00 a.m. and 8:00 p.m. (Eastern Time), Monday through Friday:

1-800-4-FED-AID (1-800-433-3243) — a toll-free number

The Information Center will:

- assist you in completing the federal student financial aid application
- tell you whether a school participates in the federal student aid programs, and that school's default rate (see page 7)
- explain federal student aid eligibility requirements explain the process of determining financial need and awarding aid
- send federal student aid publications to you

1-319-337-5665

Call this number at the Information Center if you want to find out if your federal student financial aid application has been processed or if you want a copy of your Student Aid Report (SAR). **Please note that you'll have to pay for this call. Collect calls cannot be accepted, and this service is not available on the toll-free number given above.**

1-800-730-8913

If you're hearing-impaired you may call this toll-free TDD number at the Information Center for help with any federal student aid questions you may have.

1-800-MIS-USED (1-800-647-8733)

If you have reason to suspect any fraud, waste, or abuse involving federal student aid funds, you may call this toll-free number, which is the hotline to the U.S. Department of Education's Inspector General's office. You may remain anonymous, if you wish.

Federal Pell Grants

What is a Federal Pell Grant?

A Federal Pell Grant, unlike a loan, does not have to be repaid. Pell Grants are only awarded to undergraduate students who have not earned a bachelor's or professional degree. (A professional degree would include a degree in a field such as pharmacy or dentistry.) For many students, Pell Grants provide a foundation of financial aid to which other aid may be added.

How do I qualify?

To determine if you're eligible, the U.S. Department of Education uses a standard formula, established by Congress, to evaluate the information you report when you apply. (See page 12). The formula produces an Expected Family Contribution (EFC) number. Your Student Aid Report (SAR) contains this number and will tell you if you're eligible.

How much money can I get?

Awards for the 1995-96 award year (July 1, 1995 to June 30, 1996) will depend on program funding. The maximum award for the 1994-95 award year was $2,300. How much you get will depend not only on your EFC, but on your cost of attendance, whether you're a full-time or part-time student, and whether you attend school for a full academic year or less.

If you participate in a study-abroad program that costs more than your usual cost of attendance, you may be able to get additional Federal Pell Grant aid to help cover those costs. Check with your financial aid administrator (FAA).

How will I be paid?

Your school can either credit the Pell Grant funds to your account, pay you directly (usually by check); or combine these methods. The school must tell you in writing how and when you'll be paid and how much your award will be. You can then either accept or decline the award; do this in writing, for the school's records. Schools must pay you at least once per term (semester, trimester, or quarter). Schools that do not use formally defined, traditional terms must pay you at least twice per academic year.

Can I receive a Federal Pell Grant if I am enrolled less than half time?

Yes, if you're otherwise eligible. You won't receive as much as if you were enrolled full time, but your school must disburse your Pell Grant funds in accordance with your enrollment status and cannot refuse you an award simply because you're not enrolled at least half time.

Direct and FFEL Program Loans

Low-interest loans for students and parents are available through the Federal Direct Student Loan (Direct Loan) Program and the Federal Family Education Loan (FFEL) Program. Low-interest loans are also available to some students under the Federal Perkins Loan Program, as discussed in the *Campus-Based Programs* section. (See page 54.)

This section will first summarize the Direct Loan and FFEL programs. Then, we'll discuss loans available to students under the two programs, emphasizing first the similarities of Direct and FFEL Program Loans for students and then the differences between them. Next, we'll describe the Direct and FFEL Program loans for parents (PLUS Loans), noting the provisions all PLUS Loans have in common and then discussing the differences between Direct PLUS and FFEL PLUS. Finally, we'll review the Direct and FFEL Consolidation Loans, discussing each separately.

The Direct Loan and FFEL programs differ in who lends the money. Under the Direct Loan Program, the federal government makes loans directly to students and parents through schools. Under the FFEL Program, private lenders such as banks, credit unions, and savings and loan associations usually make the loans. Although the source of funds is different, both programs provide the same types of loans. (See the following page.)

Whether you or your parents receive a Direct Loan or an FFEL Program Loan will depend on which program(s) your school participates in. You cannot receive both Direct and FFEL Program loans for the same enrollment period. Under both loan programs, your school determines your eligibility for a loan and disburses the funds.

Once a Direct Loan is made, it is managed and collected by the U.S. Department of Education's Direct Loan Servicing Center. Its toll-free telephone number is **1-800-848-0979**. For general correspondence, the address is:

Borrower Services
Direct Loan Servicing Center
P.O. Box 4609
Utica, NY 13504-4609

Once an FFEL Program Loan is made, it will be managed and collected by the lender or agency that holds the loan.

Direct and FFEL Program Loans for Students

Both the Direct Loan Program and the FFEL Program help students meet their education costs. Many of the benefits to students are identical in the two programs.

What kinds of student loans are available?

For student borrowers, Direct Loans and FFEL Program Loans are either subsidized or unsubsidized. The Direct Loan Program offers Direct Stafford Loans (Direct Subsidized) and Direct Unsubsidized Stafford Loans (Direct Unsubsidized), and the FFEL Program offers subsidized and unsubsidized Stafford Loans.

A subsidized loan is awarded on the basis of financial need. (See page 12). If you qualify for a subsidized loan, the federal government pays interest on the loan ("subsidizes" the loan) until you begin repayment and during authorized periods of deferment thereafter.

An unsubsidized loan is not awarded on the basis of need. If you qualify for an unsubsidized loan, you'll be charged interest from the time the loan is disbursed until it is paid in full. You can choose to pay the interest or allow it to accumulate. If you allow the interest to accumulate, it will be capitalized—that is, the interest will be added to the principal amount of your loan and will increase the amount you have to repay. If you pay the interest as it accumulates, you'll repay less in the long run.

You can receive a subsidized and an unsubsidized loan for the same enrollment period as long as they are from the same program—either both from the Direct Loan Program or both from the FFEL Program.

Who can get these loans?

If you're a regular (degree-seeking) student enrolled in an eligible program of study at least half time, you may receive either a Direct Loan or an FFEL Program Loan. You must also meet other general eligibility requirements. (See pages 10 through 13.)

Can I get both a Direct Loan and an FFEL Program Loan in the same enrollment period?

No. However, you could receive FFEL Program Loans one year and Direct Loans the next year.

How much can I borrow?

Regardless of whether you borrow Direct Loans or FFEL Program Loans, if you're a dependent undergraduate student (see page 14) you can borrow up to—

- ☐ $2,625 if you're a first-year student enrolled in a program of study that is at least a full academic year;
- ☐ $3,500 if you've completed your first year of study, and the remainder of your program is at least a full academic year;
- ☐ $5,500 a year if you've completed two years of study, and the remainder of your program is at least a full academic year.

For periods of undergraduate study that are less than an academic year, the amounts you can borrow will be less than those just listed. Ask your financial aid administrator (FAA) how much you can borrow.

Regardless of whether you borrow Direct Loans or FFEL Program Loans, if you're an independent undergraduate student or a dependent student whose parents are unable to get a PLUS Loan (see pages 39 through 45), you can borrow up to—

- ☐ $6,625 if you're a first-year student enrolled in a program of study that is at least a full academic year. (At least $4,000 of this amount must be in unsubsidized loans.)
- ☐ $7,500 if you've completed your first year of study, and the remainder of your program is at least a full academic year. (At least $4,000 of this amount must be in unsubsidized loans.)
- ☐ $10,500 a year if you've completed two years of study, and the remainder of your program is at least a full academic year. (At least $5,000 of this amount must be in unsubsidized loans.)

For periods of undergraduate study that are less than an academic year, the amounts you can borrow will be less than those just listed. Talk to your FAA to find out how much you can borrow.

➪ *NOTE: Direct Loans and FFEL Program Loans are not made to undergraduates enrolled in programs that are less than one-third of an academic year.*

Whether you borrow Direct Loans or FFEL Program Loans, if you're a graduate student, you can borrow up to $18,500 each academic year. (At least $10,000 of this amount must be in unsubsidized loans.)

➪ *NOTE: The amounts given above are the maximum yearly amounts you can borrow in both subsidized and unsubsidized Direct Loans or FFEL Program Loans, singly or in combination. However, you can't borrow more than your cost of attendance minus any other financial aid for which you're eligible. This means that you may receive less than the annual maximum amounts.*

The total debt you can have outstanding from all Direct Loans and FFEL Program Loans combined is—

- ☐ $23,000 as a dependent undergraduate student;
- ☐ $46,000 as an independent undergraduate student (no more than $23,000 of this amount may be in subsidized loans);
- ☐ $138,500 as a graduate or professional student (no more than $65,500 of this amount may be in subsidized loans). The graduate debt limit includes any Direct Loans and/or FFEL Program Loans received for undergraduate study.

What's the interest rate charged on these loans?

For students whose Direct Loans or FFEL Program Loans were first disbursed on or after July 1, 1994, the interest rate is variable, but it will never exceed 8.25 percent. From July 1, 1994 through June 30, 1995, the interest rate is 7.43 percent.

The interest rate is adjusted each year on July 1. You'll be notified of interest rate changes throughout the life of your loan.

If you had FFEL Program Loans that were first disbursed before July 1, 1994, the interest rate on these loans may be different. Check with the lender or agency that holds your loan.

If you have subsidized loans (see page 27), the federal government pays the interest while you're enrolled in school at least half time, during a grace period, or during authorized periods of deferment (see page 31). Interest will begin to accrue when you enter repayment.

If you have unsubsidized loans, you'll be charged interest from the day the loan is disbursed until it is repaid in full, including in-school, grace, and deferment periods. You may pay the interest during these periods, or it can be capitalized (see page 27).

Is there a charge for these loans?

You'll pay a fee of up to 4 percent, deducted proportionately from each disbursement of your loan. A portion of this fee goes to the federal government to help reduce the cost of the loans. Also, if you don't make your loan payments when they're scheduled, you may be charged late fees and collection costs.

When do I pay back these loans?

After you graduate, leave school, or drop below half-time enrollment, you have six months before you begin repayment. This is called a grace period.

During the grace period on a subsidized loan, you don't have to pay any principal, and no interest will be charged. During the grace period on an unsubsidized loan, you don't have to pay any principal, but interest will be charged. You can either pay the interest or allow it to accumulate. (See page 27.)

After you leave school or drop below half-time enrollment, you'll receive information about repayment and will be notified of the date repayment begins. However, you're responsible for beginning repayment on time, even if you don't receive this information.

Is it ever possible to postpone repayment of my loan?

Yes. Under certain circumstances, you can receive a deferment or forbearance on your loan. During a deferment, no payments are required. If you have a subsidized loan, the federal government will pay the interest that accrues during the deferment. If your loan is unsubsidized, you will be responsible for the interest on the loan during the deferment. If you don't pay the interest as it accrues, it will be capitalized. (See page 27.) During forbearance, your payments are postponed or reduced. The government does not pay the interest; you

are responsible for it, and if you don't pay the interest as it accrues, it will be capitalized. (See page 27.) You can't receive a deferment or forbearance if your loan is in default.

See page 63 for the list of deferments available if your loan was first disbursed on or after July 1, 1993. If your loans were disbursed prior to that date, the lender or agency holding your loans can tell you about the deferments that apply to those loans.

Deferments are not automatic. If you have a Direct Loan, you must contact the Direct Loan Servicing Center to request a deferment form. If you have an FFEL Program Loan, you must contact the lender or agency that holds your loan to request a deferment form. For either program, you'll have to provide documentation to support your request. **You must continue making scheduled payments until you receive notification that the deferment has been granted.**

Forbearance isn't automatic either. You may be granted forbearance if you're willing but unable to meet your repayment schedule and you're not eligible for a deferment. If you have a Direct Loan, contact the Direct Loan Servicing Center to request forbearance. If you have an FFEL Program Loan, contact the lender or the agency that holds your loan. For either program, you'll have to provide documentation to support your request for forbearance. **You must make scheduled payments until you are notified that forbearance has been granted.**

Can my Direct or FFEL Program loan be discharged (canceled)?

Yes, in certain circumstances. A discharge releases you from all obligation to repay the loan. A complete listing of discharge conditions is given on pages 64-65.

Your loan can't be discharged because you didn't complete the program of study at the school, didn't like the school or the program of study, or didn't obtain employment after completing the program of study.

Repayment assistance (not a discharge, but another way to satisfy your obligation to repay) may be available if you serve in the military. For more information, contact your recruiting officer.

For more information about discharge or repayment assistance, Direct Loan borrowers can contact the Direct Loan Servicing Center; FFEL borrowers should contact the lender or agency that holds their loan.

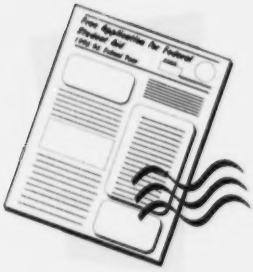
Direct Subsidized and Unsubsidized Loans

The processes of applying for a loan and paying funds to the borrower, as well as the methods of repayment, differ somewhat between the Direct Loan Program and the FFEL Program.

How do I apply for a Direct Subsidized or Unsubsidized Loan?

The first step in the process is to complete the *1995-96 Free Application for Federal Student Aid (FAFSA)* or *Renewal FAFSA*. (See page 15.) After your *FAFSA* is processed, your school will review the results and will inform you about your loan eligibility.

NOTE: Your school can refuse to certify your loan application, or can certify a loan for an amount less than you would otherwise be eligible for, if the school documents the reason for its action and explains the reason to you in writing. The school's decision is final and cannot be appealed to the U.S. Department of Education.



When should I apply?

You should complete the *1995-96 FAFSA* as soon as possible on or after January 1, 1995. Give yourself as much time as possible to complete the process.

Do I need to find a lender?

No. Under the Direct Loan Program, your lender is the U.S. Department of Education. Your school assists the federal government in administering the Direct Loan Program by determining your loan eligibility, processing the loan, and delivering the loan funds to you.

How will I be paid?

The U.S. Department of Education will pay you through your school. Your loan will be disbursed in at least two installments; no one installment can be greater than half the amount of your loan.

Your loan money must first be applied to your school account (if your school has an account for you) to pay for tuition and fees, room and board, and other school charges. If loan money remains, you'll receive the funds by check or in cash, unless you give the school written authorization to hold the funds until later in the enrollment period.

If you're a first-year undergraduate student at your school and a first-time borrower, your first payment may not be disbursed until 30 days after the first day of your enrollment period. This way, you won't have to repay the loan if you don't begin classes, or if you officially withdraw during the first 30 days of classes.

How do I pay back my Direct Loan?

The Direct Loan Program offers four repayment plans designed to simplify the repayment process. All four repayment plans are available to borrowers of Direct Subsidized Loans and Direct Unsubsidized Loans. The repayment plans will be explained in more detail during entrance and exit counseling sessions at your school. The chart on

page 36 shows estimated monthly payments for varying loan amounts under each of the plans.

You may choose one of the following repayment plans—

- ☐ The Income Contingent Repayment Plan bases your monthly payment on your annual income and your loan amount. As your income rises or falls, so do your payments. You can take up to 25 years to repay your loans. After 25 years, any remaining balance on the loan will be forgiven. You'll have to pay income tax on any amount forgiven.
- ☐ The Extended Repayment Plan allows you to extend loan repayment over a period of 12 to 30 years, depending on your loan amount. Your monthly payment may be lower than it would be if you repaid the same total loan amount under the Standard Repayment Plan (see below), but you'll repay a higher total amount of interest because the repayment period is longer. The minimum monthly payment is $50.
- ☐ Under the Graduated Repayment Plan, your payments will be lower at first and then increase every two years over a period of time ranging from 12 to 30 years. The actual length of your repayment period depends on your loan amount. Your monthly payment may range from 50 percent to 150 percent of what it would be if you were repaying the same total loan amount under the Standard Repayment Plan. However, you'll repay a higher total amount of interest because the repayment period is longer.
- ☐ The Standard Repayment Plan requires you to pay a fixed amount each month—at least $50—for up to 10 years. The length of your actual repayment period will depend on your loan amount.

Examples of Typical Beginning Payments for Direct Loan Repayment Plans

Total Debt	Monthly and Total Payments Under Different Repayment Plans									
	Standard		Graduated		Extended		Income Contingent			
							Income= $25,000			
							Option 1[2]		Option 2[3]	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
$2,600	$50	$3,148	$25	$4,008	$50	$3,148	$90	$2,867	$27	$3,937
4,000	50	5,539	25	6,637	50	5,539	96	4,613	42	6,056
7,500	89	10,650	47	12,444	79	11,355	110	9,522	79	11,356
10,000	118	14,200	63	18,185	92	16,615	121	13,451	105	15,141
15,000	178	21,300	95	27,277	138	24,921	142	22,197	142	23,126

Note: Payments are calculated using the 1994-95 interest rate of 7.43%.

[1]Assumes a 5% annual income growth (Census Bureau).

[2]Under "Option 1", the borrower always pays the formula amount; i.e. payback rate times income.

[3]Under "Option 2", the borrower never pays more than the standard 12-year amortization amount.

Where do I send my loan payments?

You repay the U.S. Department of Education by sending your loan payments to—

Direct Loan Payment Center

P.O. Box 78451

Phoenix, AZ 85062-8451

The Direct Loan Servicing Center will manage your loan accounts until your loans are paid in full. (See page 26 for the Center's telephone number and address.)

FFEL Stafford Loans

The FFEL Program offers subsidized and unsubsidized Stafford Loans. (See page 27.) The processes of applying for a loan and paying funds to the borrower, as well as the methods of repayment, differ somewhat between the Direct Loan Program and the FFEL Program.

How do I apply for an FFEL Stafford Loan?

The first step in the process is to complete the *1995-96 Free Application for Federal Student Aid (FAFSA)* or *Renewal FAFSA*. (See page 15.) After your *FAFSA* is processed, your school will review the results and will inform you about your loan eligibility.

You must also complete the *Federal Stafford Loan Application and Promissory Note*, available from your school, a lender, or your state guaranty agency. After you fill out your part of the application, the school you plan to attend must complete its part, certifying your enrollment, your cost of attendance, your academic standing, any other financial aid for which you're eligible, and your financial need. (Your need is evaluated to see if you qualify for a less costly subsidized FFEL Stafford Loan. See page 27.)

NOTE: Your school can refuse to certify your loan application, or can certify a loan for an amount less than you would otherwise be eligible for, if the school documents the reason for its action and explains the reason to you in writing. The school's decision is final and cannot be appealed to the U.S. Department of Education.

When should I apply?

You should complete the *1995-96 FAFSA* as soon as possible on or after January 1, 1995. You should begin looking for a commercial lender as soon as you're accepted by your school. Even if you're eligible for the loan funds, you may not receive them if you apply too late in the enrollment period.

How can I find a lender?

Contact your state **guaranty agency**. It's the best source of information on the FFEL Stafford Loan Program in your state. For your agency's address and telephone number, and for more information about borrowing, call the Federal Student Aid Information Center's toll-free number: 1-800-4-FED-AID (1-800-433-3243). If your state does not have its own guaranty agency, ask your school or the Federal Student Aid Information Center for the name and telephone number of the guaranty agency that serves your state.

How will I be paid?

The lender will send the loan proceeds to your school in at least two payments, either by electronic funds transfer or by check (made payable either to you or to both you and your school). Your school can pay you directly (usually by check), credit your account, or combine these methods. Some schools may pay you as often as weekly or monthly, if your lender agrees. Even if you're paid less often, no payment may exceed one half of your loan amount. (If you're studying abroad, you can choose to receive your funds directly.)

If you're a first-year undergraduate student at your school and a first-time borrower, your first payment may not be disbursed until 30 days after the first day of your enrollment period. This way, you won't have to repay the loan if you don't begin classes, or if you officially withdraw during the first 30 days of classes.

How much will I have to pay each month?

The amount of each payment depends on your loan amount and on the length of your repayment period. If your first FFEL Program Loan was disbursed on or after July 1, 1993, you have the option of repaying your loan using a fixed, graduated or income-sensitive repayment plan, but you are required to repay the loan within 10 years.

The chart below shows estimated monthly payments and total interest charges for various 8.25 percent loans under a fixed repayment plan. Remember that 8.25 percent is the highest interest rate that can be charged for new loans. Your rate may be lower.

EXAMPLES OF FIXED REPAYMENT PLANS

Total Loan Amount	Number of Payments	Monthly Payment	Interest Charges	Total Repaid
$ 2,600	65	$ 50.00	$ 628.42	$ 3,228.42
4,000	120	49.06	1,887.20	5,887.20
7,500	120	91.99	3,538.80	11,038.80
10,000	120	122.65	4,718.00	14,718.00
15,000	120	183.98	7,077.60	22,077.60

Direct and FFEL Program Loans for Parents (PLUS Loans)

PLUS Loans to meet students' education costs are available through both the Direct Loan and FFEL programs. Many of the benefits to parent borrowers are identical in the two programs.

What kinds of PLUS Loans are available?

For parent borrowers, the Direct Loan Program offers the Federal Direct PLUS Loan (Direct PLUS Loan). The FFEL Program offers the Federal PLUS Loan (FFEL PLUS Loan).

Both loans enable parents with good credit histories to borrow to pay the education expenses of each child who is a dependent undergraduate student enrolled at least half time. (See pages 14 and 71.)

Are there any borrowing requirements my parents have to meet?

Yes. To be eligible to receive a Direct PLUS Loan or FFEL PLUS Loan, your parents generally will be required to pass a credit check. If they don't pass the credit check, they might still be able to receive a loan if someone, such as a relative or friend who is able to pass the credit check, agrees to co-sign the loan, promising to repay it if your parents should fail to do so. Your parents might also qualify for a loan even if they don't pass the credit check if they can demonstrate that extenuating circumstances exist. You and your parents must also meet other general eligibility requirements for federal student financial aid. (See pages 10 through 13.)

Can my parents get both a Direct PLUS Loan and an FFEL PLUS Loan?

They can apply for either a Direct PLUS Loan or an FFEL PLUS Loan, but not both for the same child for the same enrollment period. Your parents could, however, apply for a Direct PLUS Loan for you and an FFEL PLUS Loan for one of your siblings.

How much can my parents borrow?

The yearly limit on either type of PLUS Loan is equal to your cost of attendance minus any other financial aid for which you are eligible. For example, if your cost of attendance is $6,000 and you're eligible for $4,000 in other financial aid, your parents could borrow up to—but no more than—$2,000.

What's the interest rate on PLUS Loans?

The interest rate is variable, but it will never exceed 9 percent. From July 1, 1994 through June 30, 1995, the interest rate is 8.38 percent.

The interest rate is adjusted each year on July 1. Your parents will be notified of interest rate changes throughout the life of their loan(s). Interest is charged on the loan from the date the first disbursement is made until the loan is paid in full.

Is there a charge for a PLUS Loan?

Your parents will pay a fee of up to 4 percent of the loan, deducted proportionately each time a loan payment is made. A portion of this fee goes to the federal government to help reduce the cost of the loans. Also, if your parents don't make their loan payments as scheduled, they may be charged late fees and collection costs.

When do my parents begin repaying a PLUS Loan?

Generally, within 60 days after the final loan disbursement. There is no grace period for these loans. Interest begins to accumulate at the time the first disbursement is made, and your parents will begin repaying both principal and interest while you're in school.

Is it ever possible to postpone repayment of a PLUS Loan?

Yes. Under certain circumstances, your parents can receive a deferment or forbearance on their loan. During a deferment, no payments are required; during forbearance, payments are either postponed or reduced. Your parents are responsible for the interest on a loan during a deferment or forbearance. If they don't pay the interest as it accrues, it will be capitalized. (See page 27.) Your parents can't receive a deferment or forbearance if their loan is in default.

See page 63 for the list of deferments available if your parents' PLUS Loan was first disbursed on or after July 1, 1993. If your parents' PLUS Loans were disbursed before this date, ask the lender or agency holding those loans about the deferments that are available.

Deferments are not automatic. If your parents have a Direct PLUS Loan, they must contact the Direct Loan Servicing Center to request a deferment form. If they have an FFEL PLUS Loan, they must contact the lender or agency that holds the loan. For either program, they'll have to provide documentation to support their request. **Your parents must continue making scheduled payments until they receive notification that the deferment has been granted.**

Forbearance isn't automatic either. Your parents may be granted forbearance if they're willing but unable to repay as schedule and they're not eligible for a deferment. If your parents have a Direct PLUS Loan, they should contact the Direct Loan Servicing Center to request forbearance. If they have an FFEL PLUS Loan, they should contact the lender or the agency that holds the loan. For either program, they'll have to provide documentation to support their request for forbearance. **Your parents must continue making scheduled payments until they are notified that forbearance has been granted.**

Can a PLUS Loan be discharged (canceled)?

Yes, under certain circumstances. A discharge releases your parents from all obligation to repay the loan. A complete listing of discharge conditions is given on pages 64-65.

Your parents' loan cannot be discharged because you didn't complete your program of study at your school, didn't like the school or the program of study, or didn't obtain employment after completing the program of study.

Repayment assistance (not a discharge of the loan, but another way to satisfy their obligation to repay), may be available to your parents if **you** serve in the military. For more information, contact your recruiting officer.

For more information about discharge or repayment assistance, Direct PLUS Loan borrowers should contact the Direct Loan Servicing Center; FFEL PLUS Loan borrowers should contact the lenders or agencies that hold their loans.

Direct PLUS Loans

The processes of applying for a loan and paying funds to the borrower, as well as the methods of repayment, differ somewhat between the Direct PLUS Loan and the FFEL PLUS Loan.

How do my parents apply for a Direct PLUS Loan?

Your parents will fill out a *Direct PLUS Loan Application and Promissory Note*, which is available from your school's financial aid office. (It is not necessary for you or your parents to fill out a *FAFSA* to apply for this loan, unless your school requires it.)

NOTE: Your school can refuse to certify your parents' loan application, or can certify a loan for an amount less than they would otherwise be eligible for, if the school documents the reason for

its action and explains the reason to your parents in writing. The school's decision is final and cannot be appealed to the U.S. Department of Education.

When should my parents apply for a Direct PLUS Loan?

Your parents should apply as early as possible, allowing for plenty of time to complete the application process.

Do my parents need to find a lender?

No. Under the Direct Loan Program, their lender will be the U.S. Department of Education. Your school assists the federal government in administering the Direct Loan Program by distributing the loan application, processing the loan, and delivering the loan funds.

How will my parents be paid?

Actually, the loan money will be sent to your school in at least two installments (no one installment can be greater than half the loan amount). The funds will first be applied to your school account (if your school has an account for you) to pay for tuition and fees, room and board, and other school charges. If any loan money remains, your parents will receive the amount as a check or in cash, unless they authorize it to be released to you. Any remaining loan money must be used for your education expenses.

How do my parents pay back the loan?

Your parents can choose the Standard, Extended, or Graduated Repayment Plan. (See page 35.) The Income Contingent Repayment Plan is not an option for parent borrowers.

Where do my parents send their loan payments?

They repay the U.S. Department of Education by sending their loan payments to—

Direct Loan Payment Center

P.O. Box 78451

Phoenix, AZ 85062-8451

The Direct Loan Servicing Center will manage their loan account until the loan is paid in full. (For the Center's address and telephone number, see page 26.)

FFEL PLUS Loans

The processes of applying for a loan and paying funds to the borrower, as well as the methods of repayment, differ somewhat between the FFEL PLUS Loan and the Direct PLUS Loan.

How do my parents apply for an FFEL PLUS Loan?

The procedure is the same as for the FFEL Stafford Loan, except that your financial need does not have to be evaluated. Therefore, you do not need to file a *FAFSA*, unless your school requires it. (See page 15.)

NOTE: Your school can refuse to certify your parents' loan application, or can certify a loan for an amount less than they would otherwise be eligible for, if the school documents the reason for its action and explains the reason to your parents in writing. The school's decision is final and cannot be appealed to the U.S. Department of Education.

When should my parents apply for an FFEL PLUS Loan?

Your parents should apply as early as possible. Even if they are eligible for the funds, they may not receive them if they apply too late in the enrollment period.

How can my parents find a lender?

They should contact their state guaranty agency. It's the best source of information on the FFEL Program in your state. For the agency's address and telephone number, and for more information about borrowing, call the Federal Student Aid Information Center's toll-free number: **1-800-4-FED-AID (1-800-433-3243)**. If your state does not have its own guaranty agency, ask your school or the Federal Student Aid Information Center for the name and telephone number of the guaranty agency that serves your state.

How will my parents be paid?

The lender will send the loan proceeds to your school in at least two payments. Payments will be sent either by electronic funds transfer or by check made co-payable to your school and your parents. Your parents may receive payment as often as weekly or monthly, if the lender agrees. No one payment may exceed half of the loan amount.

How do my parents pay back the loan?

The lender will arrange a repayment schedule, providing for a minimum of $600 paid annually and a maximum repayment period of 10 years (excluding periods of deferment and forbearance).

Direct and FFEL Consolidation Loans

Consolidation loans allow a borrower to combine different types of federal student loans to simplify repayment. (A borrower with just one loan can choose to consolidate it.) Both the Direct Loan Program and the FFEL Program offer consolidation loans. However, Direct Consolidation Loans and FFEL Consolidation Loans are very different and are discussed separately here.

Direct Consolidation Loans

What is a Direct Consolidation Loan?

A Direct Consolidation Loan is designed to help student and parent borrowers simplify loan repayment. Even though you might have several different federal student loans, you'll need to make only one payment a month for all the loans you consolidate. You can even consolidate just one loan into a Direct Consolidation Loan, to get benefits such as flexible repayment options.

What kinds of loans can be consolidated under a Direct Consolidation Loan?

Most federal student loans or PLUS Loans can be consolidated. All the loans discussed in the *Guide* are eligible for consolidation. The Direct Loan Servicing Center can give you a complete listing of eligible loans. The toll-free telephone number of the Servicing Center's Consolidation Department is 1-800-848-0982.

There are three types of Direct Consolidation Loans-

Direct Subsidized Consolidation Loans
Direct Unsubsidized Consolidation Loans
Direct PLUS Consolidation Loans

What is the interest rate on a Direct Consolidation Loan?

For Direct Subsidized and Unsubsidized Consolidation Loans, the interest rate is variable but cannot exceed 8.25 percent. From July 1, 1994 through June 30, 1995, the rate is 7.43 percent. For Direct PLUS Consolidation Loans, the interest rate is also variable and may not exceed 9 percent. From July 1, 1994 through June 30, 1995, the rate is 8.38 percent. These interest rates are adjusted each year on July 1.

What are the benefits of a Direct Consolidation Loan?

If you have more than one loan, a Direct Consolidation Loan simplifies the repayment process, because you make only one payment a month. Also, the interest rate on the Direct Consolidation Loan may be lower than what you're currently paying on one or more of your loans.

Another advantage of a Direct Consolidation Loan is that you may gain additional deferment possibilities. An FFEL borrower who consolidates using a Direct Consolidation Loan is eligible for all the deferments available to Direct Loan borrowers, in addition to all the deferments the borrower was eligible for under the FFEL Program.

If you're in default on a federal student loan, you may receive a Direct Consolidation Loan provided you agree to repay the defaulted loan under the Income Contingent Repayment Plan or make satisfactory arrangements to repay your defaulted loan for six months prior to consolidation.

Perhaps most important, a Direct Consolidation Loan gives the borrower expanded repayment options, because all the Direct Loan repayment plans are available to borrowers of Direct Consolidation Loans. (However, Direct PLUS Consolidation Loans are not eligible to be repaid under the Income Contingent Repayment Plan.)

How can I get a Direct Consolidation Loan?

You can get a Direct Consolidation Loan while you're still enrolled in school, during your grace period, or once you have entered repayment. You'll be given more information about consolidation loans during entrance and exit counseling sessions at your school. You may also contact the Servicing Center's Consolidation Department at 1-800-848-0982 for an application or more information.

FFEL Consolidation Loans

What is an FFEL Consolidation Loan?

An FFEL Consolidation Loan is designed to help student and parent borrowers consolidate several types of federal student loans with various repayment schedules into one loan. With an FFEL Consolidation Loan, you'll make only one payment a month. FFEL Consolidation Loans are available from participating lenders, such as banks, credit unions, and savings and loan associations.

What kinds of loans can be consolidated under an FFEL Consolidation Loan?

Most federal student loans or PLUS Loans can be consolidated. All the loans discussed in the *Guide* are eligible for consolidation. A participating lender can give you a complete listing of eligible loans.

There are two types of FFEL Consolidation Loans—subsidized and unsubsidized. If all of the loans you consolidate are subsidized, you'll receive a subsidized FFEL Consolidation Loan. If any loan you consolidate is unsubsidized, you'll receive an unsubsidized FFEL Consolidation Loan.

What's the interest rate on an FFEL Consolidation Loan?

The interest rate for your FFEL Consolidation Loan will be the weighted average of the original interest rates of the loans being consolidated.

What are the benefits of an FFEL Consolidation Loan?

If you have more than one loan, an FFEL Consolidation Loan simplifies the repayment process, because you make only one payment a month. Also, the interest rate on the FFEL Consolidation Loan may be lower than what you're currently paying on one or more of your loans.

How can I get an FFEL Consolidation Loan?

You can consolidate any loans that have entered repayment or that are in a grace period. If any loan you want to consolidate is in default, you must make satisfactory repayment arrangements on that loan before it can be included in the consolidation.

You'll be given more information about consolidation during entrance and exit counseling sessions at your school. You may also contact the consolidation department of a participating lender for an application or more information.

Campus-Based Programs

The three programs discussed in this section are called campus-based programs because they're administered directly by the financial aid office at each participating school. Not all schools participate in all three programs. The Federal Supplemental Educational Opportunity Grant (FSEOG) Program awards grants, the Federal Work-Study (FWS) Program offers jobs, and the Federal Perkins Loan Program offers loans. Even though each program is different, they have these characteristics in common:

- ☐ How much aid you receive depends on your financial need (see page 12), on the amount of other aid you'll receive, and on the availability of funds at your school. Unlike the Federal Pell Grant Program, which provides funds to every eligible student, each school participating in any of the campus-based programs receives a certain amount of funds for each campus-based program each year. When that money is gone, no more awards can be made from that program for that year.
- ☐ Each school sets its own deadlines for students to apply for campus-based funds. The deadlines will usually be earlier than the U.S. Department of Education's deadline for filing a federal student financial aid application (in this case, May 1, 1996). Ask your school about the school's deadlines. You may miss out on aid from these programs if you don't apply early!

Federal Supplemental Educational Opportunity Grants

What is a Federal Supplemental Educational Opportunity Grant?

A Federal Supplemental Educational Opportunity Grant (FSEOG) is for undergraduates with exceptional financial need, that is, students with the lowest Expected Family Contributions (EFCs), and gives priority to students who receive Federal Pell Grants. An FSEOG doesn't have to be paid back.

How much can I get?

You can get between $100 and $4,000 a year, depending on when you apply, your level of need, and the funding level of the school you're attending. You may be eligible for more if you're enrolled in a study-abroad program.

What's the difference between an FSEOG and a Federal Pell Grant?

The U.S. Department of Education guarantees that each participating school will receive enough money to pay the Federal Pell Grants of its eligible students. There's no guarantee every eligible student will be able to receive a FSEOG; students at each school are paid based on the availability of funds.

How will I be paid?

Your school will credit your account, pay you directly (usually by check), or combine these methods. Schools must pay students at least once per term (semester, trimester, or quarter). Schools that do not use traditional terms must pay you at least twice during the academic year, unless the total FSEOG aid you receive is $500 or less, in which case a single payment per academic year is allowed.

Federal Work-Study

What is Federal Work-Study?

The Federal Work-Study (FWS) Program provides jobs for undergraduate and graduate students with financial need, allowing them to earn money to help pay education expenses. The program encourages community service work and work related to your course of study.

How much can I make?

Your FWS salary will be at least the current federal minimum wage, but it may be higher, depending on the type of work you do and the skills required. Your total FWS award depends on when you apply, your level of need, and the funding level of your school.

How will I be paid?

If you're an undergraduate, you'll be paid by the hour. If you're a graduate student, you may be paid by the hour or you may receive a salary. No FWS student may be paid by commission or fee. Your school must pay you directly at least once a month.

Are Federal Work-Study jobs on campus or off campus?

Both. If you work on campus, you'll usually work for your school. If you work off campus, your employer will usually be a private nonprofit organization or a public agency, and the work performed must be in the public interest. Some schools may have agreements with private for-profit employers for FWS jobs, which must be relevant to your course of study. If you attend a proprietary school, there may be further restrictions on the jobs you can be assigned.

Can I work as many hours as I want?

No, the amount you earn can't exceed your total FWS award. When assigning work hours, your employer or FAA will consider your class schedule and your academic progress.

Federal Perkins Loans

What is a Federal Perkins Loan?

A Federal Perkins Loan is a low-interest (5 percent) loan for both undergraduate and graduate students with ***exceptional*** financial need. Federal Perkins Loans are made through a school's financial aid office—your school is your lender and the loan is made with government funds. You must repay this loan.

How much can I borrow?

Depending on when you apply, your level of need, and the funding level of the school, you can borrow up to—

- ☐ $3,000 for each year of undergraduate study. The total amount you can borrow as an undergraduate is $15,000.
- ☐ $5,000 for each year of graduate or professional study. The total amount you can borrow as a graduate/professional student is $30,000. (This includes any Federal Perkins Loans you borrowed as an undergraduate.)

You may be able to borrow more than these amounts if you're participating in a study abroad program or attending a school that has a default rate no higher than 15 percent and it chooses to participate under the Expanded Lending Option. Check with your school.

Is there a charge for this loan?

A Perkins Loan borrower is not charged an origination fee or an insurance premium. However, if you skip a payment, if it's late, or if you make less than a full payment, you may have to pay a late charge plus any collection costs. Late charges will continue until your payments are current.

How will I be paid?

Your school will either pay you directly (usually by check) or credit your account. You'll receive the loan in at least two payments during the academic year, unless your total Federal Perkins Loan is $500 or less, in which case a single payment per academic year is allowed.

When do I pay back this loan?

If you're attending school at least half time, you have nine months after you graduate, leave school, or drop below half-time status before you must begin repayment. This is called a grace period. If you're attending less than half time, check with your FAA to determine your grace period. At the end of your grace period, you must begin repaying your loan. You may be allowed up to 10 years to repay.

How much will I have to pay each month?

Your monthly payment amount will depend on the size of your debt and the length of your repayment period.

The chart below shows typical monthly payments and total interest charges for three different 5-percent loans over a 10-year period.

Total Loan Amount	Number of Payments	Monthly Payment	Total Interest Charges	Total Repaid
$3,000	119	$31.84	$817.86	$3,817.86
	1	$28.90		
$5,000	119	$53.06	$1,363.40	$6,363.40
	1	$49.26		
$15,000	119	$159.16	$4,090.85	$19,090.85
	1	$150.81		

Can I postpone repayment of my Federal Perkins Loan?

Yes. Under certain circumstances, you can receive a deferment or forbearance on your loan. During a deferment, no payments are required, and interest that accrues will be paid by the federal government. During forbearance, your payments are postponed or reduced. The government does not pay the interest; you are responsible for it and if you don't pay the interest as it accrues, it will be capitalized. (See page 27.) You can't receive a deferment or forbearance if your loan is in default.

You may receive a deferment under certain conditions, such as unemployment. See page 63 for the list of deferments available if your Perkins Loan was first disbursed on or after July 1, 1993. If you have a loan that was first disbursed before July 1, 1993, check your promissory note for the deferments that apply to that loan. During a deferment, interest will not accrue and no payments are required.

Deferments are not automatic. You must apply for one through your school, using a deferment request form your school can give you. You must file your deferment request on time or you'll pay a late charge. **You must continue making scheduled payments until you receive notification that the deferment has been granted.** For more detail on deferments, contact your financial aid office.

Forbearance isn't automatic either. You may be granted forbearance in 12-month intervals for up to three years. You must apply for forbearance in writing through the school that made your loan or the agency the school employs to service your loan. You'll have to provide documentation to support your request for forbearance. **You must continue making scheduled payments until you are notified that forbearance has been granted.**

Can my Federal Perkins Loan can be canceled?

Yes. If the borrower dies or becomes totally and permanently disabled, the loan can be canceled. A loan may also qualify for cancellation under certain other conditions—as long as the borrower is not in default. See pages 64 and 65 for the list of cancellation conditions. For more information, contact your financial aid office.

Although not a cancellation, if you serve as an enlisted person in certain specialties of the U.S. Army, the Army Reserves, the Army National Guard, or the Air National Guard, the U.S. Department of Defense may, as an enlistment incentive, repay a portion of your Federal Perkins Loan. If you think you qualify, contact your recruiting officer.

If you have any questions about the terms of your Federal Perkins Loan, repayment obligations, deferment, forbearance, or cancellation, check with the school that made the loan. Only that school can grant deferment, forbearance, or cancellation, or make other decisions concerning your loan.

Borrower Responsibilities, Borrower Rights

Responsibilities

When you take out a student loan, you have certain responsibilities. Here are a few of them:

- ☐ When you sign a promissory note, you're agreeing to repay the loan according to the terms of the note. The note is a binding legal document and states that, except in cases of discharge, (see pages 64 and 65) you must repay the loan—even if you don't complete your education, aren't able to get a job after you complete the program, or are dissatisfied with, or don't receive, the education you paid for. Think about what this obligation means before you take out a loan. If you don't repay your loan on time or according to the terms in your promissory note, you may go into default, which has very serious consequences.
- ☐ You must make payments on your loan even if you don't receive a bill or repayment notice. Billing statements (or coupon books) are sent to you as a convenience, but you're obligated to make payments even if you don't receive any notice.

- ☐ If you apply for a deferment or forbearance, you still must continue to make payments until you are notified that the request has been granted. If you don't, you may end up in default. You should keep a copy of any request form you submit, and you should document all contacts with the organization that holds your loan.
- ☐ You must notify the appropriate representative (school, agency, lender, or the Direct Loan Servicing Center) that manages your loan when you graduate, withdraw from school, or drop below half-time status; change your name, address, or Social Security Number; or transfer to another school. If you borrow a Perkins Loan, your loan will be managed by the school that lends you the money or by an agency that the school assigns to service the loan. If you borrow a Direct Loan, it will be managed by the Direct Loan Servicing Center. If you borrow an FFEL Program Loan, it will be managed by your lender or its servicing agent. During your loan counseling session, you'll be given the name of the representative that manages your loan.
- ☐ Regardless of the type of loan you borrow, you must receive entrance counseling before you're given your first loan disbursement, and you must receive exit counseling before you leave school. These counseling sessions will be administered by your school and will provide you with important information about your loan. Your lender or the Direct Loan Servicing Center will provide you with additional information about your loan.

Rights

You have certain rights as a borrower. Listed below are some of them.

Before your school makes your first loan disbursement, you'll receive the following information about your loan from your school, lender, and/or the Direct Loan Servicing Center:

- ☐ the full amount of the loan,
- ☐ the interest rate,
- ☐ when you must start repaying the loan,
- ☐ the effect borrowing will have on your eligibility for other types of financial aid,
- ☐ a complete list of any charges you must pay (loan fees) and information on how those charges are collected,
- ☐ the yearly and total amounts you can borrow,
- ☐ the maximum repayment periods and the minimum repayment amount,
- ☐ an explanation of default and its consequences,
- ☐ an explanation of available options for consolidating or refinancing your loan, and
- ☐ a statement that you can prepay your loan at any time without penalty.

Before you leave school, you'll receive the following information about your loan from your school, lender, and/or the Direct Loan Servicing Center:

- ☐ the amount of your total debt (principal and estimated interest), what your interest rate is, and the total interest charges on your loan,

- ☐ a loan repayment schedule that lets you know when your first payment is due, the number and frequency of payments, and the amount of each payment,
- ☐ if you have FFEL Program Loans, the name of the lender or agency that holds your loan, where to send your payments, and where to write or call if you have questions,
- ☐ if you have Direct Loans, the address and telephone number of your Direct Loan Servicing Center,
- ☐ the fees you should expect during the repayment period, such as late charges and collection or litigation costs if you're delinquent or in default,
- ☐ an explanation of available options for consolidating or refinancing your loan, and
- ☐ a statement that you can prepay your loan without penalty at any time.

If you borrow a Federal Perkins Loan, the previous information will be provided to you by your school. If you borrow a Direct Loan or an FFEL Program Loan, this information will be provided to you by the Direct Loan Servicing Center or your lender, as appropriate.

If you have Direct or FFEL Stafford loans, your school will also provide you with the following information during your exit counseling session:

- ☐ a current description of your loans, including an estimate of the average total debt and the average monthly payments of students from your school,
- ☐ a description of applicable deferment, forbearance, and discharge provisions,

- ☐ advice about debt management that will help you in making your payments, and
- ☐ notification that you must provide your expected permanent address, the name and address of your expected employer, the address of your next-of-kin, and any corrections to your school's records concerning your name, Social Security Number, references, and driver's license number (if you have one).

You have the right to a grace period before your repayment period begins. (Your parents do not receive a grace period for a PLUS Loan.) Your grace period begins when you leave school or drop below half-time status. The exact length of your grace period is shown on your promissory note.

During exit counseling, your school must give you a loan repayment schedule that states when your first payment is due, the number and frequency of payments, and the amount of each payment.

You must be given a summary of deferment and discharge (cancellation) provisions, including the conditions under which the U.S. Department of Defense may repay your loan.

If you or your parents borrow an FFEL Program Loan, you must be notified when your loan is sold if the sale results in your making payments to a new lender or agency. Both the old and new lender or agency must notify you of the sale; the identity of the new lender or agency holding your loan; the address to which you must make payments; and the telephone numbers of both the old and new lender or agency. (This doesn't apply to Perkins or Direct Loan borrowers.)

Loan Deferment Summary

Deferment Condition	Direct Loans[1] (Subsidized, Unsubsidized, PLUS and Consolidation)	FFEL Program Loans[1,2] (Stafford, PLUS, and Consolidation)	Perkins[3]
At least half-time study at a postsecondary school	YES	YES	YES
Study in an approved graduate or postgraduate fellowship supported program or in an approved rehabilitation training program for the disabled	YES	YES	YES
Unable to find full-time employment	Up to 3 years	Up to 3 Years	Up to 3 Years
Economic Hardship	Up to 3 Years	Up to 3 Years	Up to 3 Years
Engaged in service listed under discharge/ cancellation conditions (see pages 64 and 65)	NO	NO	YES

[1] For PLUS Loans and unsubsidized student loans, only principal is deferred. Interest continues to accrue.
[2] Applies to loans first disbursed on or after July 1, 1993 to borrowers who have no outstanding FFEL Program Loan, Federal SLS loan, or consolidation loan on the date they signed their promissory note. (Note that the SLS Program has been repealed, beginning with the 1994-95 award year.)
[3] Applies to loans first disbursed on or after July 1, 1993.

NOTE: You must formally request a deferment, through the procedures established by the holder of your loan, and you must continue making payments until you're notified that the deferment has been granted.

Discharge/Cancellation Summary

Cancellation Condition	Direct Loans (Subsidized, Unsubsidized, PLUS and Consolidation)	FFEL Program Loans (Stafford, PLUS and Consolidation)	Perkins
Borrower's total and permanent disability or death	100%[1]	100%[1]	100%
Full-time teacher in a designated elementary or secondary school serving students from low-income families	NO	NO[2]	Up to 100%[3]
Full-time special education teacher—includes teaching children with disabilities in a public or other nonprofit elementary or secondary school	NO	NO	Up to 100%[3]
Full-time qualified professional provider of early intervention services for the disabled	NO	NO	Up to 100%[3]
Full-time teacher of math, science, foreign languages, bilingual education, or in other fields designated as teacher shortage areas	NO[2]	NO[2]	Up to 100%[3]

Full-time employee of a public or nonprofit child or family service agency providing services to high-risk children and their families from low-income communities.	NO	NO	Up to 100%[7,8]
Full-time nurse or medical technician	NO	NO[7]	Up to 100%[7,8]
For loans made on or after November 29, 1990—service as a full-time law enforcement or corrections officer	NO	NO	Up to 100%[8]
Full-time service as a staff member in a Head Start Program	NO	NO	Up to 100%[7]
Service as a Vista or Peace Corps Volunteer	NO[7]	NO[7]	Up to 70%[7]
Service in the Armed Forces	NO	NO	Up to 50% in areas of hostilities or eminent danger[7]
Bankruptcy	In some cases	In some cases[9]	In some cases[9]
Closed School (before student could complete program of study) or False Loan Certification	100%[6]	100%[6]	NO

[1] Includes death but not disability of the student for whom the parents borrowed—this additional provision applies to any such student who dies on or after July 23,1992.

[2] Service qualifies for deferment also.

[3] No funding available for this benefit at this time. Does not apply to PLUS Loans.

[4] This benefit applies to Federal Perkins loans made on or after July 23, 1992.

[5] Seven years must have passed between the date the loan became due and the date the borrower files for bankruptcy (not counting deferment periods). If seven years have not passed, cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship.

[6] For loans received on or after January 1, 1986.

Important Terms

Academic Year: A period of at least 30 weeks of instructional time during which a full-time student is expected to complete at least 24 semester or trimester hours, or at least 36 quarter hours, at an institution that measures program length in credit hours; or at least 900 clock hours at an institution that measures program length in clock hours.

Campus-Based Programs: The Federal Supplemental Educational Opportunity Grant (FSEOG) Program, the Federal Work-Study (FWS) Program, and the Federal Perkins Loan Program. These programs are administered by a school's financial aid administrator.

Citizen/Eligible Noncitizen: You must be one of the following to receive federal student aid:

- U.S. citizen
- U.S. national (includes natives of American Samoa or Swain's Island)
- U.S. permanent resident who has an I-151, I-551, or I-551C (Alien Registration Receipt Card)

If you're not in one of these categories, you must have an Arrival-Departure Record (I-94) from the U.S. Immigration and Naturalization Service (INS) showing one of the following designations:

- "Refugee"
- "Asylum Granted"

- "Indefinite Parole" and/or "Humanitarian Parole"
- "Cuban-Haitian Entrant, Status Pending"
- "Conditional Entrant" (valid only if issued before April 1, 1980)
- Other eligible noncitizen with a Temporary Resident Card (I-688)

Or you can be eligible based on the Family Unity Status category with an approved I-797 (Voluntary Departure and Immigrant Petition).

If you have only a Notice of Approval to Apply for Permanent Residence (I-171 or I-464), you aren't eligible for federal student aid.

If you're in the U.S. on an F1 or F2 student visa only, or on a J1 or J2 exchange visitor visa only, you can't get federal student aid. Also, persons with G series visas (pertaining to international organizations) are not eligible for federal student aid.

NOTE: Only citizens and noncitizen nationals can receive federal aid for study at a foreign institution, and only Direct or FFEL Program Loans are available for that purpose.

Permanent residents of the Republic of Palau may be eligible for all the student aid programs mentioned in this booklet. Citizens of the Federated States of Micronesia and the Republic of the Marshall Islands are eligible for Federal Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), or Federal Work-Study (FWS) only. These applicants should check with their financial aid administrators for more information.

Consolidation Loan/Direct Consolidation Loan: There are two categories of consolidation loans—FFEL Consolidation Loans and Direct Consolidation Loans. Both allow the borrower to combine different types and amounts of federal student loans to simplify repayment. A consolidation loan pays off the existing loans; the

borrower then repays the consolidation loan. You'll have from 10 to 30 years to repay a consolidation loan. Student borrowers may use any of the four repayment plans available under the Direct Loan Program to repay their Direct Consolidation Loans (see page 35). (Parent borrowers are not allowed to use the Income Contingent Repayment Plan to repay a Direct PLUS Consolidation Loan.) All the student loans described in this booklet are eligible for consolidation. Consolidation does not allow you to borrow in excess of existing loan limits. (See page 47 for more information on Consolidation Loans.)

Cost of Attendance (COA): The total amount it will cost a student to go to school—usually expressed as a yearly figure. It is determined using a formula established by the U.S. Congress. The COA covers tuition and fees; on-campus room and board (or a housing and food allowance for off-campus students); and allowances for books, supplies, transportation, loan fees (if applicable), dependent care, costs related to a disability, and miscellaneous expenses. Also included are reasonable costs for eligible study abroad programs. An allowance (determined by the school) is included for reasonable costs connected with a student's employment as part of a cooperative education program. For students attending less than half time, the COA includes only tuition and fees and an allowance for books, supplies, transportation, and dependent-care expenses. Talk to the FAA at the school you're planning to attend if you have any unusual expenses that might affect your cost of attendance.

Default: Failure to repay a loan according to the terms agreed to when you signed a promissory note. Default also may result from failure to submit requests for deferment or cancellation on time. If you default, your school, the lender or agency that holds your loan, the state, and the federal government can all take action to recover the money, including notifying national credit bureaus of your default. This may

affect your credit rating for a long time. For example, you may find it very difficult to borrow from a bank to buy a car or a house.

In addition, the lender or agency holding your loan may ask your employer to deduct payments from your check. Also, you may be liable for expenses incurred in collecting the loan. If you decide to return to school, you're not entitled to receive any more federal student aid or any of the deferments listed on page 63. The U.S. Department of Education may ask the U.S. Internal Revenue Service to withhold your income tax refund, and the amount of your refund will be applied toward the amount you owe.

Eligible Program: A course of study that requires certain minimum hours of instruction and that leads to a degree or certificate at a school participating in one or more of the student financial aid programs described in this booklet. To get federal financial aid, you must be enrolled in an eligible program, with two exceptions:

If a school has told you that you must take certain coursework to qualify for admission into one of its eligible programs, you can get a Direct Loan or an FFEL Program Loan (or your parents can get a PLUS Loan) for up to 12 consecutive months while you're completing that coursework. You must be enrolled at least half time, and you must meet the usual student aid eligibility requirements.

If you're enrolled at least half time in a program to obtain a professional credential or certification required by a state for employment as an elementary or secondary school teacher, you can get a Federal Perkins Loan, Federal Work-Study, an FFEL Stafford Loan, a Direct Loan (or your parents can get a PLUS Loan) while you're enrolled in that program.

Expected Family Contribution (EFC): An amount, determined by a formula Congress established, that indicates how much of your

family's financial resources should be available to help pay for school. Factors such as taxable and nontaxable income, assets (such as savings and checking accounts), and benefits (for example, unemployment or Social Security) are all considered in this calculation. The EFC is used in determining your eligibility for aid from the programs discussed in the *Guide* (except for unsubsidized student loans and PLUS Loans). If you think you have any unusual expenses that might affect your EFC, make sure you notify your FAA.

Financial Aid Package: The total amount of financial aid a student receives. Federal and nonfederal aid, such as grants, loans, or work-study, are combined in a package to help meet the student's need. Using available resources to give each student the best possible package of aid is one of the major responsibilities of a school's FAA.

General Education Development Certificate (GED): A certificate students receive if they've passed a specific, approved high school equivalency test. Students who don't have a high school diploma but who have a GED may still qualify for federal student aid. A school that admits students without a high school diploma must make a GED program in the vicinity of the school available to these students and must inform them about the program.

Guaranty Agency: The organization that administers the FFEL Program for your state. The federal government sets loan limits and interest rates, but each state is free to set its own additional limitations, within federal guidelines. This agency is the best source of information on FFEL Program Loans in your state. To find out the name, address, and telephone number of the agency serving your state, as well as information about borrowing, call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243).

Half Time: At schools measuring progress by credit hours and academic terms (semesters, trimesters, or quarters), half-time enrollment is at least 6 semester hours or quarter hours per term. At schools measuring progress by credit hours but not using academic terms, half-time enrollment is at least 12 semester hours or 18 quarter hours per year. At schools measuring progress by clock hours, half-time enrollment is at least 12 hours per week. Note that schools may choose to set higher minimums than these.

You must be attending school at least half time to be eligible to receive Direct or FFEL Program loans. Half-time enrollment is not a requirement to receive aid from the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan programs.

Promissory Note: The binding legal document you sign when you get a student loan. It lists the conditions under which you're borrowing and the terms under which you agree to pay back the loan. It will include information about your interest rate and about deferment and cancellation provisions. It's very important to read and save this document because you'll need to refer to it later when you begin repaying your loan.

Regular Student: One who is enrolled in an institution to obtain a degree or certificate. Generally, to receive aid from the programs discussed in this booklet, you must be a regular student. (For some programs, there are exceptions to this requirement. See the definition of eligible program.)

Satisfactory Academic Progress: To be eligible to receive federal student aid, you must be maintaining satisfactory academic progress toward a degree or certificate. You must meet your school's written standard of satisfactory progress. Check with your school to find out its standard.

If you received federal student aid for the first time on or after July 1, 1987, and you're enrolled in a program that's longer than two years, the following definition of satisfactory progress also applies to you: You must have a "C" average by the end of your second academic year of study or have an academic standing consistent with your institution's graduation requirements. You must continue to maintain satisfactory academic progress for the rest of your course of study.

Selective Service Registration: If required by law, you must register, or arrange to register, with the Selective Service to receive federal student aid. A statement appears on the 1995-96 Student Aid Report (SAR) that allows you to state either that you have registered with the Selective Service or to explain why you're not required to register.
The requirement to register applies to males who were born on or after January 1, 1960, are at least 18, are citizens or eligible noncitizens, and are not currently on active duty in the armed forces. (Citizens of the Federated States of Micronesia, the Marshall Islands, or Palau are exempt from registering.)

Statement of Educational Purpose/Certification Statement on Refunds and Default: You must sign this statement to receive federal student aid. By signing it, you're stating that you do not owe a refund on a federal grant, that you're not in default on a federal loan, and that the amount you've borrowed under those loan programs doesn't exceed the allowable limits. You're also agreeing to use your student aid only for education-related expenses. Part 1 of the 1995-96 Student Aid Report (SAR) contains such a statement. You must sign either that one or a similar one prepared by your school.

Statement of Updated Information: If you receive a Federal Pell Grant or your application is selected for verification, you must sign a statement certifying that certain information used to determine your eligibility for federal student aid is correct at the time you either submit your SAR to your school or certify your student aid application information at your school. If that information changes after you apply, you must update it so that it's correct on the date you sign your SAR or certify your application information. Otherwise, you won't be able to receive federal student aid. The Statement of Updated Information on the back of Part 1 of your SAR gives the information that must be updated.

The Student Guide is FREE.

If you paid for a copy of this publication, please write to the following address and give us the name and address of the organization that charged you.

Federal Student Aid Information Center

P.O. Box 84

Washington, DC 20044-0084

74

☆ U.S. GOVERNMENT PRINTING OFFICE: 1995-390-655

80

U.S. Department of Education

Student Financial Assistance Programs